

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



FILED
8-02-16
04:59 PM

Application of Pacific Gas and Electric Company
Proposing Cost of Service and Rates for Gas
Transmission and Storage Services for the
Period 2015 - 2017 (U39G).

Application 13-12-012
(Filed December 19, 2013)

And Related Matter.

Investigation 14-06-016

**SUPPLEMENTAL REPLY BRIEF OF
THE CALIFORNIA MANUFACTURERS & TECHNOLOGY ASSOCIATION AND
THE CALIFORNIA LEAGUE OF FOOD PROCESSORS
ON THE APPLICATION OF THE \$850 MILLION SAN BRUNO PENALTY FUND TO
PG&E'S GAS TRANSMISSION AND STORAGE REVENUE REQUIREMENT**

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August 2, 2016

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The Indicated Shippers (IS) agree with the California Manufacturers & Technology Association (CMTA)¹ and the California League of Food Processors (CLFP)² that, with non-core industrial customers facing a 94% rate increase on August 1, 2016, and further increases authorized for 2017 and 2018, the “magnitude of this rate shock calls for Commission action to maximize immediate rate relief from the San Bruno Penalty by adopting the [100%] Expense Method.”³

Unfortunately, while CMTA/CLFP and IS are focused on ensuring that PG&E’s ratepayers receive immediate and maximum rate relief, regardless of possible, though uncertain PG&E shareholder benefits, TURN seems more concerned about the possible PG&E shareholder

¹ CMTA represents the interests of 25,000 large and small manufacturers in California with 1.2 million employees, about 8% of total state employment and about 11% of gross state product. Manufacturing creates the most wealth of any sector – for every \$1 invested in manufacturing, another \$1.35 is added to the economy, and every one manufacturing job supports an additional 2.5 jobs in the local region. Since 1918, CMTA has supported state laws and regulations to maintain a competitive business climate to encourage manufacturing investment and job growth.

² CLFP represents 46 food industrial processors in California. Food and beverage processing in California accounts directly for \$25.2 billion in value added and 198,000 direct full- and part-time jobs. Food processing reverberates through local and regional economies. On average for every \$1 of value added in food and beverage generated results in \$3.25 dollars in additional economic activity. Each job in food and beverage processing generates 3.84 jobs in total.

³ IS Supp. Opening Brief, p.2; CMTA/CLFP Supp. Opening Brief, p.2.

benefits than needed rate mitigation, and, on that basis, has recommended adoption of the 81% capital/19% expense allocation (Capital Method) in order to “prevent PG&E shareholders from effectively gaining a known windfall at the expense of ratepayers.”⁴ In support of its position, TURN argues that the Expense Method produces only “slightly lower rates in 2017 and 2018” than the Capital Method and, if TURN’s assumptions are correct, TURN “expects” that, looking out “many years into the future” the Capital Method “would offer higher net present value benefits to ratepayers than the 100% expense approach.”⁵

CMTA/CLFP disagree with TURN’s allocation recommendation. First, TURN is incorrect that the Expense Method produces only “slightly lower rates in 2017 and 2018” than the Capital Method. PG&E’s supplemental response to Indicated Shippers’ data request no. 26, table 2, spreadsheet 026-Q03 supp, provides the following data (*year to year rate changes versus the current 2016 rate have been separately calculated and approximate results provided in italics*):

Using 100% Expense Method

8/1/16 rate change = 94.2% increase over current 2016 rate

1/1/17 rate change = 16.1% decrease from 8/1/2016 rate (*63% more than current rate*)

1/1/18 rate change = 11.5% increase over 2017 rate (*82% more than current rate*)

Using 81% capital/19% expense method

8/1/16 rate change = 94.2% increase over current 2016 rate

1/1/17 rate change = 3.8% decrease from 8/1/16 rate (*87% more than current rate*)

1/1/18 rate change = 6.0% increase over 2017 rate (*98% more than current rate*)

The Expense Method clearly provides significantly greater rate benefits, when compared against current rates, than the Capital Method in 2017 and 2018.

Second, it is impossible to predict future rate changes and the rate impacts of capital reduction benefits stretching over “many years into the future.” CMTA/CLFP members are concerned with the unprecedented rates authorized for 2016, 2017 and 2018 and not with speculative long-term minor rate impacts. CMTA/CLFP need immediate and maximum rate

⁴ TURN, p.3.

⁵ TURN, pp.3-4.

relief to deal with the near-term financial impacts of annual bill increases of \$500,000 or more⁶ and are willing to forego the loss of uncertain small capital reduction benefits that may or may not show up as noticeable rate impacts many years in the future.

Therefore, though CMTA/CLFP agree with TURN that PG&E's shareholders should not be rewarded in any way from the application of the San Bruno Penalty and/or the five-month ex parte disallowance, it is imperative that the Commission adopt the Expense Method and provide ratepayers with the immediate rate relief they require, even if potential PG&E shareholder benefits might accrue as well. To the extent PG&E's shareholders do reap any unintended tax and revenue benefits from the application of the San Bruno Penalty and/or the five-month ex parte disallowance, the solution is simple: the Commission should order that all such benefits be provided to PG&E's customers instead.

Finally, one thing on which CMTA/CLFP, IS and TURN all agree is that it is absolutely critical that the application of the San Bruno Penalty and the five-month ex parte disallowance be properly sequenced, with the five-month ex parte disallowance applied first, in order to avoid diluting the ratepayer benefits and PG&E punishment intended by the Commission in approving the San Bruno Penalty and five-month ex parte disallowance.⁷ To do otherwise will, for no rational reason or purpose, benefit PG&E and penalize ratepayers in the form of even higher rates for the remainder of PG&E's GT&S cycle.

Dated: August 2, 2016

Respectfully submitted,



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⁶ Opening Comments of CMTA/CLFP on the Proposed Decisions, dated May 25, 2016, pp.6-8.

⁷ IS, p.2; CMTA/CLFP, p.2; pp.1-3.